# Citi 2011-12 Charter School Working Capital Note Program Informational Webcasts

December 15, 2011 at 11am PT

December 16, 2011 at 9am PT

December 21, 2011 at 12pm PT

January 4, 2012 at 11am PT

## Agenda

- Introductions and Participant Overview Katrina Johantgen, California School Finance Authority,
   Executive Director
- Citi 2011-12 Charter School Working Capital Program Overview Mike Kremer, First Southwest Company, Program Manager
- How Can the Citi 2011-12 Charter School Working Capital Program Help? Betina Dowdell, Citi, Purchaser
- What are the Program Costs? Mike Kremer, First Southwest Company, Program Manager
- Legal Considerations Bill Bothwell, Orrick, Herrington & Sutcliffe, Bond Counsel
- How to Apply Mike Kremer, First Southwest Company, Program Manager
- Questions and Answers

# Financing Participants

### Citi 2011-2012 Charter School Working Capital Note Program Issuer

#### **California School Finance Authority**

Katrina Johantgen

### **Related State Agencies**

#### **Attorney General's Office**

Stepan Haytayan

#### **State Controller's Office**

John Hiber Richard Chivaro Kelly Martell Linda Brida

### **California Department of Education**

Scott Hannan Caryn Moore Byron Fong

### **Working Group**

Bond Counsel	Purchaser	Purchaser's Counsel	Trustee	Program Manager
Orrick, Herrington & Sutcliffe	Citi	Fulbright and Jaworski LLP	Citi Agency and Trust	First Southwest Company
Bill Bothwell Kevin Hale	Betina Dowdell Chris Mukai	Lisalee Wells	Ishween Sethi Jon Farber Ed Morelli Marion O'Connor	Mike Kremer Philip Curls Tawnya Aguirre

# Overview

The Citi 2011-12 Charter School Working Capital Program offers a cost effective method of obtaining working capital for California charter schools

Easy Application Process	Based on Citi's lending criteria, applicants will complete an online three-step application with the followinginformation:  1. Charter Information and Contacts  2. School Statistics  3. Financial Information
Quick Application Notification Process	Applicants will be notified regarding basic program requirements within one week after completion of application
Flexible Receipt of Loan Proceeds	Available to draw on a monthly basis to meet 2011-12 working capital needs through June 2012
Timely Estimated Closing Date	Loans are scheduled to close March 1, 2012

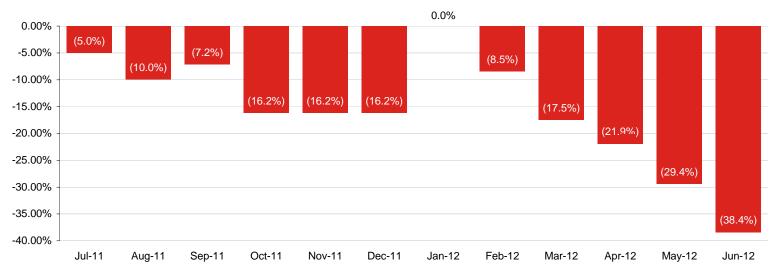
# Challenges Faced by California Charter Schools

California charter schools have been impacted by the deferral of State Apportionments and have limited alternative cost-effective solutions

Challenge

- The State of California has deferred monthly Entitlements to Charter Schools
- By the end of 2011-12, cumulative revenue deferrals are expected to equal 38.4% of the State's Entitlement obligation
- Deferrals of State Entitlements have resulted in temporary monthly cash flow deficits for California Charter Schools
- Limited alternative cost-effective solutions

#### **Estimated 2011-12 Apportionment Schedule**



Source: Projections from California Department of Education

# How Can the Charter School Working Capital Program Help?

The Citi 2011-12 Charter School Working Capital Program is designed to help California charter schools impacted by the deferral of State Apportionments

Purpose	To provide eligible charter schools with access to funds to relieve anticipated temporary monthly cash flow deficits in advance of the receipt of deferred State revenue
Note Purchaser	Citibank, N.A.
Security	Each school will pledge repayment with any available funds and through an intercept of State Apportionment payments deferred to July and August 2012, or until the final loan is repaid
Final Maturity	The final maturity of the Loans is December 31, 2012, however through the security of the intercept, payment is expected by August 2012
Minimum Eligibility	<ol> <li>Each school must be in at least its second year of operations</li> <li>Each school must demonstrate that at least 50% of students are eligible to participate in the Free and Reduced Meal Program</li> </ol>

### What Are the Program Costs?

- No Application Fee
- Interest Rate
  - 4.25% fixed interest rate accrued on amounts drawn on the loan; no undrawn interest rate
  - Draws may occur once per month between early March and mid-June 2012
  - The loan may be prepaid in part or in full once per month without penalty

- Closing Fees Paid from Loan Proceeds:
  - Program Transaction Costs
    - Confirmed at Lesser of 2.00% of loan amount and \$25,000
    - Primarily include fees paid to the Program Manager, Bond Counsel, Trustee, California School Finance Authority ("CSFA") and CSFA's Counsel and Note Purchaser's Counsel
    - Do not include the cost of the school's legal counsel to deliver a satisfactory Borrower's Counsel Opinion
  - Origination Fee
    - 0.75% of loan amount

		CONFIRMED C	CONFIRMED CLOSING COSTS plus Legal Counsel				
Loan Amount	Program Transaction Costs	ansaction Origination Closing Costs			Estimated Legal Counsel	Total Closing Costs	Total Closing Costs (% of Loan)
\$ 250,000	\$ 5,000	\$ 1,875	\$ 6,875	2.75%	\$ 5,000	\$ 11,875	4.75%
1,000,000	20,000	7,500	27,500	2.75%	5,000	32,500	3.25%
2,000,000	25,000	15,000	40,000	2.00%	5,000	45,000	2.25%
5,000,000	25,000	37,500	62,500	1.25%	5,000	67,500	1.35%

### Cost Comparison – Program Loan versus Sale of Deferrals

With Average Daily Attendance ("ADA") of roughly 492 students, the school's State Apportionment payments deferred to July and August 2012 would total to \$1,024,979

#### Estimated Deferral Sale Cost

- \$1.02 million in deferrals are sold at price of \$0.93¹ plus 2.0% up-front charge
- Cost Metrics of the School Compared to Program Loan
  - Estimated total cost of \$92,248
  - o All Inclusive Rate of 35.01%<sup>2</sup>
  - 91.0 cents per \$1.00 of deferral are retained by the school
- Break-even to Program Loan would be at price of \$0.965 plus 0.0% up-front charge

#### Estimated Program Cost

- Interest is deducted at 4.25% from 3/1 to 9/28 from \$1.02 million in deferrals
- Loan Amount would be sized at \$1.0 million
  - Unused interest coverage of \$11,654 is returned to the School
- Closing costs of \$32,500 & projected interest of \$13,324
- Cost Metrics of the School Compared to Deferral Sale
  - Estimated total cost of \$45,824
  - All Inclusive Rate of 11.85%<sup>2</sup>
  - 95.5 cents per \$1.00 of deferral are retained by the school

	SALE	OF DEFERR	RALS	PA	YMENT OF		
Date	roceeds m Sale @ \$0.93	Up Front Fee @ 2.00%	Net Amount to School		Deferrals due to urchaser	Balance of Deferrals	Total Cash Flow
3/1/12	\$ 433,084	\$ (20,500)	\$ 412,584				\$ 412,584
4/24/12	109,387		109,387				109,387
5/24/12	187,521		187,521				187,521
6/25/12	223,239		223,239				223,239
7/31/12				\$	(602,505)	\$ -	(602,505)
8/31/12					(422,474)	-	(422,474)

Total Cost \$ 92,248
All Inclusive Rate 35.01%
Amount Received per \$1 of Deferral \$ 0.910

	PROGRAM LOAN DRAWS					PROGRA			
Date	Loan Draws	Total Closing Costs		Net mount School		Principal Payments	nterest ayments	Balance f Deferrals	Total Cash Flow
3/1/12	\$ 454.000	\$ (32,500)	\$	421,500	F	,			\$ 421,500
4/24/12	115,000	<b>+</b> (==,==)	_	115,000					115,000
5/24/12	197,000			197,000					197,000
6/25/12	234,000			234,000					234,000
7/31/12				-	\$	(592,000)	\$ (9,504)	\$ 1,002	(600,502)
8/31/12				-		(408,000)	(3,821)	10,653	(401,168)
TOTAL	\$ 1,000,000	\$ (32,500)	\$	967,500	\$	(1,000,000)	\$ (13,324)	\$ 11,654	

TOTAL \$ 953,230 \$ (20,500) \$ 932,731 \$ (1,024,979) \$

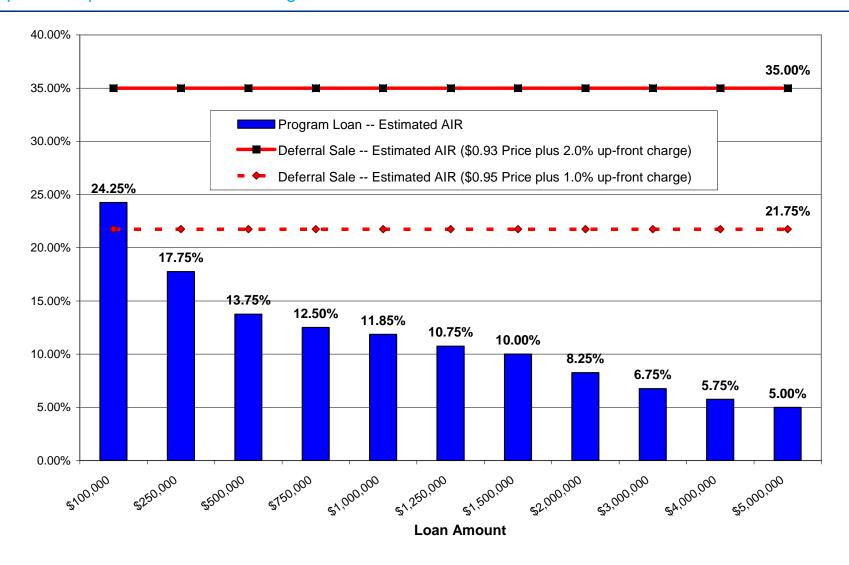
Total Cost \$ 45,824
All Inclusive Rate 11.85%
Amount Received per \$1 of Deferral \$ 0.955

<sup>&</sup>lt;sup>1</sup> Example of a price

<sup>&</sup>lt;sup>2</sup> Reflects estimated annualized borrowing cost

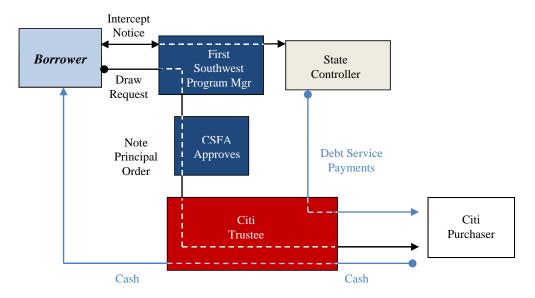
## Comparison of Program Loan to Deferral Sale -- Estimated All Inclusive Rates

Based on Estimated All Inclusive Rates ("AIR") including all costs for both alternatives, the Program Loan is expected to provide the lower funding cost for all but the smallest loan sizes



# How it Works and Legal Considerations

- Intercept Notice and the State Controller
- Draw Mechanics



- Legal Considerations:
  - Resolution
  - Loan Agreement
  - Indenture
  - Program Management Agreement
  - Note Purchase Agreement
  - Opinion of Borrower's Counsel

# How to Apply

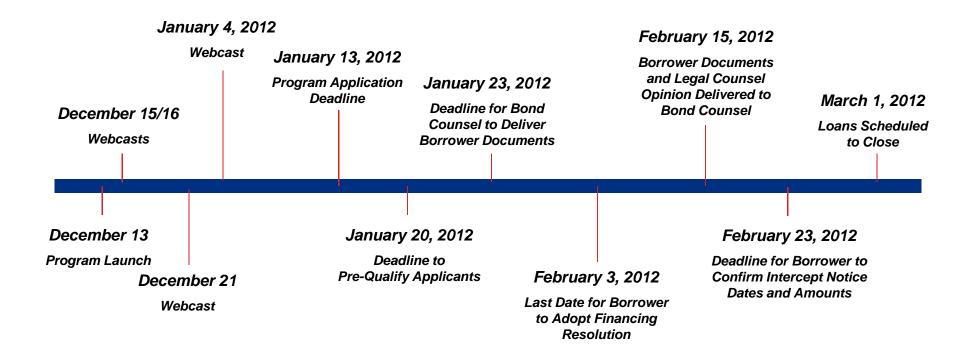
### A three-step application to be completed online will determine each school's eligibility

Step	Required Information
1. Charter Information & Contacts	<ul> <li>Name and address of charter school</li> <li>School CDS code and charter number</li> <li>Names of charter authorizer and domiciled district (if different)</li> <li>Dates of school opening and expiry of current charter</li> <li>Name of CMO, if applicable<sup>1</sup></li> <li>Primary and working contact information</li> <li>Names and titles for persons authorized to sign documents</li> </ul>
2. School Statistics	P-1 Attendance Report
3. Financial Information	<ul> <li>First interim budget report for 2011-12</li> <li>Audited financial statements for 2010-11, if available 2009-10 and 2008-09</li> <li>Terms of existing debt including summary of collateral pledge, financial reporting requirements and covenants</li> </ul>

- To apply, go to: www.charterschoolfunding.org
- For Free and Reduced Meal Program data, go to: <a href="http://www.cde.ca.gov/ds/sh/cw/filesafdc.asp">http://www.cde.ca.gov/ds/sh/cw/filesafdc.asp</a>

<sup>&</sup>lt;sup>1</sup>Application data must be provided for each school managed by a CMO

# **Program Timeline**



# **Program Contact Information**

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